

SUPPLEMENTAL INFORMATION REGARDING

the

STATE OF CALIFORNIA
**CONSUMER POWER AND CONSERVATION
FINANCING AUTHORITY**



PUBLIC LEADERSHIP SOLUTIONS FOR ENERGY (PULSE)

SEPTEMBER 2002



California Power Authority

Public Leadership Solutions for Energy (PULSE)

- Creating a bond-financed pool of funds for clean or renewable distributed generation, or energy efficiency projects.
- Funds available to all state and local agencies, and 501(c) 3 organizations.
- Provides efficiency, cost savings, and flexibility to participants.



Benefits to Borrowers

- Turnkey financing team
 - A complete, nationally recognized financing team
 - CPA professional staff dedicated to PULSE
 - Relieves participants of the burden of hiring appropriate advisors and managing bond issuance
- Increased flexibility compared to other State energy financing programs:
 - Larger scale loans and leases
 - Amortization to match expected life of technology
 - Flexibility to provide short-term financing (1 to 5 years) or long-term financing (6 to 30 years)
 - No requirement to “give back” energy savings
- Expanded eligible participants and projects:
 - Financing available to all state and local agencies, as well as 501(c) 3 organizations
 - Eligible projects include efficiency ***and*** distributed generation projects



Estimated Schedule for 1st Round Issue

Elapsed Time: Critical Milestones

Day Zero:	Application deadline for first round
1-30 Days:	Loan review by CPA and Financing Team; follow-up discussion with participants
15-45 Days:	Insurer approves participants, subject to any requirements
15-75 Days:	Document preparation by Bond Counsel
45-75 Days:	Distributed bond documents to participants
75-90 Days:	Anticipated date by which participants' Boards, Councils, or Commissions must approve documents
90 Days:	Pricing of bonds
90 Days:	Close and fund inaugural round (targeted)



Financing Team

Sponsor / Program Administrator: California Power Authority

Financial Advisor: Public Financial Management, Inc.

Bond Underwriter: Goldman, Sachs & Co.

Bond Counsel: Sidley Austin Brown & Wood LLP

Bond Insurer: To be selected

Bond Trustee: To be selected

THE CALIFORNIA CONSUMER POWER AND CONSERVATION FINANCING AUTHORITY

PUBLIC LEADERSHIP SOLUTIONS FOR ENERGY (PULSE)

The State Legislature created the California Consumer Power and Conservation Financing Authority (the “Power Authority” or “CPA”) in August 2001 to help ensure reliable and affordable power for California, including financing energy efficiency and renewable energy for energy users. The CPA’s Energy Resource Investment Plan targets up to \$1.5 billion for public buildings.

The Public Leadership Solutions for Energy (PULSE) will offer financing for any state and local agency or 501 (c) 3 organization to undertake projects utilizing clean distributed generation or energy efficient technologies. Program details are as follows:

✓ *Ease of Implementation*

With most bond issues, public agencies must solicit, interview and hire a multi-professional financing team, prepare documents, submit to the rating agency process, obtain credit enhancement, negotiate documents with credit enhancement providers, prepare an Official Statement, price their bonds, and manage the bond proceeds.

With the PULSE Program, borrowers need only submit a five-page application with two years of financial statements. The CPA and its advisors will do the rest. The entire PULSE process can be completed in as little as sixty to ninety days from receipt of complete application.

✓ *Eligible Energy Projects*

Eligible energy projects include:

- Energy efficiency,
- Advanced building metering and controls,
- Thermal storage,
- Renewable energy (solar PV, small scale wind, biogas and landfill gas recovery),
- Distributed generation (fuel cells, micro-turbines, combined heat and power)
- Incremental costs of exceeding Title 24 energy building standards in new construction and major renovations (for “green” or “sustainable” buildings)

For some types of distributed generation projects, the CPA has a list of eligible bidders and price cap bids by technology manufacturers, contractors, and system integrators. See: <http://www.capowerauthority.ca.gov/DistributedGeneration> for details.

✓ ***Financeable costs***

Financeable costs include:

- Planning and other soft costs, such as feasibility and engineering design, performance guarantees, equipment warranties, project management (managing bidding, equipment procurement, construction management, and commissioning the final outcome),
- Equipment and construction costs,
- Other scheduled costs for the eligible energy projects listed above,
- Costs of bond issuance; we estimate these will be about 1.5% of the amount borrowed, before bond insurance. The inaugural offering waives any CPA administrative fee.
- Bond insurance, which increases financial market acceptance of the issue and reduces interest cost. This cost varies depending upon each borrower's credit rating.

✓ ***Financing Amounts***

The financing amount per applicant is \$2 million or greater, per issuance.

✓ ***Financing Terms and Options***

- Low short-term (1 to 5 years) tax-exempt rates (historically as low as 3%).
- Low longer-term (6 to 30 years) tax-exempt rates (currently 4.5% – 5.0%).
- Maturities are flexible and consistent with borrower's project, useful life, and cash flow needs.
- Financing terms include normal requirements for use of assets financed with tax-exempt debt (i.e., the project cannot involve anything that would jeopardize the tax status of the bonds).
- The program will be self-supporting. The CPA will provide no funds to support repayment of these bonds. Each applicant must provide and demonstrate a creditworthy repayment source.
- ***Rebates and grants from other sources can still be claimed.***
- Multiple (semi-annual) bond issues are anticipated, depending on demand.
- Potential repayments via utility bills (request pending at CPUC).

✓ ***A Nationally Ranked Finance Team***

Selected by the CPA, the Program offers each participant access to the top national legal, underwriting, and financial advisory firms.

The financing team includes:

Sponsor/Program Administrator: California Consumer Power and Conservation
Financing Authority

Bond Counsel: Sidley Austin Brown & Wood LLP

Underwriter: Goldman, Sachs & Co.

Financial Advisor: Public Financial Management, Inc.

✓ ***Structure of the Program***

The program will finance a portfolio of projects from a pool of different participants. Subject to Bond Counsel's final approval, for most borrowers it is likely that the pool will be structured as a series of lease obligations whereby each participant will lease the proposed improvements or financial assets to the CPA. These assets will then be leased back to each participant. As part of the application, each participant must identify which assets will be subject to any lease, whether these assets are discrete assets (i.e., connected to or part of another asset), and whether these assets are subject to any existing liens or encumbrances.

Under this approach, participants will enter into a lease-leaseback arrangement with the CPA. The CPA will serve as a conduit for the financing, and the lease payments will be aggregated and used to secure the pooled financing. There will be no cross defaults or cross collateralization. It is currently anticipated that all participants will contribute to a debt service reserve fund. Costs of issuance on the program will depend on the final size and composition of the pool, but it is currently estimated that costs, before bond insurance, will roughly equal 1.5% of the amount borrowed.

The amortization of the lease obligations will be tailored to meet the demands of each applicant and the specific technology. The term of the financing can range from 1 to 30 years.

✓ ***The PULSE Process***

The process is straightforward:

- Step 1. Fill out the application, and send in the required documentation with a non-refundable \$1,000 application and processing fee. This is the only fee imposed by the CPA for its own costs in this inaugural offering.
- Step 2. The CPA and the Bond Insurer will review the application and determine eligibility. Criteria include but are not limited to, the creditworthiness of the applicant, identified sources of repayment, financial wherewithal of the applicant, and the nature of the project being financed.
- Step 3. The Bond Insurer will evaluate the projects. There can be no assurance that either the CPA or the Bond Insurer will approve every financing application.
- Step 4. Once a minimum threshold of creditworthy applications have been received and approved, the CPA and its advisors will structure the bond issue, Bond Counsel will prepare legal documents, and the Bond Insurer will finalize its credit approval process.
- Step 5. Participants must receive local authorization from their Board, Council, or Commission. Documents will be circulated for each participant to approve.

Step 6. CPA will determine when an appropriate pool of participants has been assembled. Following all required local authorizations, the CPA will issue the bond financing as soon as practicable.

The CPA welcomes any potential projects, but it reserves the right to reject any project or participant if in its judgment or in the Bond Insurer's judgment, the project is inconsistent with the program's stated goals or if the project does not receive credit approval from the Bond Insurer.

To begin the application process, please complete the application form and other required information with one (1) original and four (4) copies and return it, along with the \$1,000 application fee to:

California Power Authority

Attn: Lynne Butler, PULSE Project Manager
901 P Street, Suite 142A
Sacramento, CA 95814

If you have questions or need additional information, please contact us directly at:

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